

**Los Angeles County
Board of Supervisors**

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*To ensure access to high-quality,
patient-centered, cost-effective
health care to Los Angeles
County residents through direct
services at DHS facilities and
through collaboration with
community and university
partners*



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March 29, 2011

The Honorable Board of Supervisors
County of Los Angeles
383 Kenneth Hahn Hall of Administration
500 West Temple Street
Los Angeles, California 90012

Dear Supervisors:

**FISCAL YEAR 2010-11 BUDGET ADJUSTMENTS
(ALL DISTRICTS)
(4 VOTES)**

SUBJECT

Request approval of two Fiscal Year 2010-11 Budget Adjustments for the Department of Health Services.

IT IS RECOMMENDED THAT YOUR BOARD:

1. Approve the attached Department of Health Services (DHS) Fiscal Year (FY) 2010-11 Budget Adjustment (BA) (Attachment I) to reallocate and adjust appropriation and revenue within DHS.
2. Approve the second attached BA (Attachment II) to transfer \$5.8 million in unused funds resulting from the cancellation of prior year commitments from the LAC+USC Medical Center Replacement Accumulated Capital Outlay (LAC+USC MC ACO) Fund to the DHS Designation in order to facilitate the close-out of this fund in FY 2010-11.

PURPOSE/JUSTIFICATION OF RECOMMENDED ACTION

Your Board's approval of these recommendations will assist DHS in having sufficient Services and Supplies (S&S) appropriation to meet its financial obligations as the Department approaches the fiscal year-end by: 1) reallocating and adjusting appropriation and revenue within DHS based on the Department's FY 2010-11 current financial experience; and 2) authorizing the transfer of surplus funds from the LAC+USC MC ACO Fund of \$5.8 million to DHS Designation in preparation for the close-out of the LAC+USC MC ACO Fund.

REALLOCATING AND ADJUSTING APPROPRIATION AND REVENUE

DHS' FY 2010-11 Final Budget included a deficit reduction placeholder of \$105.7 million in S&S appropriation that reduced the amount of S&S funding available for operations. In addition, difficulties in filling critical patient care positions have resulted in higher utilization of registries and physician specialties (both of which are budgeted in S&S) in order to cover critical service needs.

The reallocation of appropriation is primarily to transfer available Salaries and Employee Benefits, Other Charges, and Capitals Assets funding, due to lower than anticipated expenditures in these areas, to S&S. This BA also increases appropriation for intergovernmental transfers (IGTs) to the State of \$141.3 million, as required under the 1115 Waiver Delivery System Reform Incentive Pool (DSRIP), fully offset with additional DSRIP revenues. DHS previously notified your Board on March 10, 2011 of these required IGT payments.

This BA is only a reallocation and adjustment of DHS' current experience with appropriation and revenue, and does not solve the Department's projected current year deficit. DHS' Fiscal Outlook, as presented today on March 29, 2011, includes additional projected net revenue increase from the new 1115 Waiver and other potential solutions that the Department is actively engaging in to solve the Department's current year deficit that are not reflected in this BA. The Department will continue to report the status of these efforts and their impact on the current year deficit to your Board in the Department's Fiscal Outlook updates.

LAC+USC MC ACO FUND

On December 2, 2003, your Board approved Auditor-Controller recommended guidelines for monitoring the LAC+USC MC ACO Fund established in FY 1998-99 for the purpose of purchasing new equipment for the LAC+USC Medical Center Replacement Project. In accordance with those guidelines, we are reporting that \$5.8 million resides in the Provisional Financing Uses of the LAC+USC MC ACO fund as of March 29, 2011, and is available for transfer to the DHS Designation for future use.

The new LAC+USC Medical Center opened in November 2008 and in accordance with the LAC+USC MC ACO fund establishment and purpose, all the planned equipment for the new facility has been purchased or encumbered to date. The remaining \$5.8 million unused funds in the LAC+USC MC ACO Fund are requested to be transferred to the DHS Designation in order to close out the LAC+USC MC ACO Fund in FY 2010-11. The department may utilize the remaining unused LAC+USC MC ACO funds during FY 2010-11 closing towards LAC+USC Medical Center's uncompensated trauma and emergency care costs.

Implementation of Strategic Plan Goals

The recommended actions support Goal 1, Operational Effectiveness of the County's Strategic Plan.

FISCAL IMPACT/FINANCING

The recommendations approve the reallocation and adjustment of appropriation and revenue of \$238.5 million within DHS' budget units to reflect current financial experience for FY 2010-11 and the transfer of \$5.8 million unused funds from LAC+USC MC ACO Fund to DHS Designation. There is no increase in net County cost.

FACTS AND PROVISIONS/LEGAL REQUIREMENTS

Not applicable.

CONTRACTING PROCESS

Not applicable.

IMPACT ON CURRENT SERVICES (OR PROJECTS)

Approval of these actions allows DHS to continue its current operations.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Mitchell Katz".

Mitchell H. Katz, M.D.
Director

MHK:wl

Enclosures

c: Chief Executive Office
County Counsel
Executive Office, Board of Supervisors
Auditor Controller

DEPARTMENT OF HEALTH SERVICES
BUDGET ADJUSTMENT
FISCAL YEAR 2010-11

4-VOTE

SOURCES:**Enterprise Fund****LAC+USC Healthcare Network**

MN4-HG-1000-60010
 Salaries & Employee Benefits
 Decrease Appropriation \$ 10,895,000

MN4-HG-5500-60010
 Other Charges
 Decrease Appropriation 1,100,000

MN4-HG-96-9912-60010
 Operating Subsidy - Gen Fd
 Increase Revenue 8,389,000

MN4-HG-92-9416-60010
 Safety Net Care Pool
 Increase Revenue 3,227,000

MN4-HG-90-9045-60010
 Delivery System Reform Incentive Pool
 Increase Revenue 72,674,000

Total LAC+USC Healthcare Network **\$ 96,285,000**

USES:**Enterprise Fund****LAC+USC Healthcare Network**

MN4-HG-2000-60010
 Services & Supplies
 Increase Appropriation \$ 20,384,000

MN4-HG-92-9432-60010
 Medi-Cal SB 1255
 Decrease Revenue 3,227,000

MN4-HG-5500-60010
 Other Charges
 Increase Appropriation 72,674,000

Total LAC+USC Healthcare Network **\$ 96,285,000**

Coastal

MN1-HH-1000-60020
 Salaries & Employee Benefits
 Decrease Appropriation \$ 6,500,000

MN1-HH-6030-60020
 Capital Assets-Equipment
 Decrease Appropriation 1,400,000

MN1-HH-96-9912-60020
 Operating Subsidy - Gen Fd
 Increase Revenue 6,828,000

MN1-HH-92-9416-60020
 Safety Net Care Pool
 Increase Revenue 598,000

MN1-HH-92-R212-60020
 Medi-Cal HMO
 Increase Revenue 2,512,000

MN1-HH-90-9045-60020
 Delivery System Reform Incentive Pool
 Increase Revenue 36,057,000

Total Coastal **\$ 53,895,000**

Coastal

MN1-HH-2000-60020
 Services & Supplies
 Increase Appropriation \$ 10,228,000

MN1-HH-5500-60020
 Other Charges
 Increase Appropriation 4,500,000

MN1-HH-92-9432-60020
 Medi-Cal SB 1255
 Decrease Revenue 598,000

MN1-HH-92-9435-60020
 Medicare
 Decrease Revenue 2,512,000

MN1-HH-5500-60020
 Other Charges
 Increase Appropriation 36,057,000

Total Coastal **\$ 53,895,000**

DEPARTMENT OF HEALTH SERVICES
BUDGET ADJUSTMENT
FISCAL YEAR 2010-11

4-VOTE

SOURCES:

Southwest

MN5-HK-1000-60030
 Salaries & Employee Benefits
 Decrease Appropriation \$ 7,000,000

MN5-HK-2000-60030
 Services & Supplies
 Decrease Appropriation 4,600,000

MN5-HK-5500-60030
 Other Charges
 Decrease Appropriation 2,291,000

MN5-HK-6030-60030
 Capital Assets-Equipment
 Decrease Appropriation 1,100,000

Total Southwest **\$ 14,991,000**

USES:

Southwest

MN5-HK-96-9912-60030
 Operating Subsidy - Gen Fd
 Decrease Revenue \$ 14,991,000

Total Southwest **\$ 14,991,000**

Rancho Los Amigos National Rehabilitation Center

MN7-HR-1000-60040
 Salaries & Employee Benefits
 Decrease Appropriation \$ 6,614,000

MN7-HR-92-9416-60040
 Safety Net Care Pool
 Increase Revenue 1,452,000

MN7-HR-90-9045-60040
 Delivery System Reform Incentive Pool
 Increase Revenue 10,565,000

Total Rancho Los Amigos NRC **\$ 18,631,000**

Rancho Los Amigos National Rehabilitation Center

MN7-HR-2000-60040
 Services & Supplies
 Increase Appropriation \$ 5,714,000

MN7-HR-5500-60040
 Other Charges
 Increase Appropriation 900,000

MN7-HR-92-9432-60040
 Medi-Cal SB 1255
 Decrease Revenue 1,452,000

MN7-HR-5500-60040
 Other Charges
 Increase Appropriation 10,565,000

Total Rancho Los Amigos NRC **\$ 18,631,000**

ValleyCare Network

MN3-HO-1000-60050
 Salaries & Employee Benefits
 Decrease Appropriation \$ 2,300,000

MN3-HO-96-9912-60050
 Operating Subsidy - Gen Fd
 Increase Revenue 6,581,000

MN3-HO-92-9416-60050
 Safety Net Care Pool
 Increase Revenue 1,104,000

MN3-HO-90-9045-60050
 Delivery System Reform Incentive Pool
 Increase Revenue 21,999,000

Total ValleyCare Network **\$ 31,984,000**

ValleyCare Network

MN3-HO-2000-60050
 Services & Supplies
 Increase Appropriation \$ 7,681,000

MN3-HO-5500-60050
 Other Charges
 Increase Appropriation 1,200,000

MN3-HO-92-9432-60050
 Medi-Cal SB 1255
 Decrease Revenue 1,104,000

MN3-HO-5500-60050
 Other Charges
 Increase Appropriation 21,999,000

Total ValleyCare Network **\$ 31,984,000**

Total Enterprise Fund **\$ 215,786,000**

Total Enterprise Fund **\$ 215,786,000**

**DEPARTMENT OF HEALTH SERVICES
BUDGET ADJUSTMENT
FISCAL YEAR 2010-11**

4-VOTE

SOURCES:**General Fund****Health Services Administration**

A01-HS-1000-20000
Salaries & Employee Benefits
Decrease Appropriation \$ 5,700,000

A01-HS-6030-20000
Capital Assets-Equipment
Decrease Appropriation 1,100,000

Total Health Services Administration **\$ 6,800,000**

Juvenile Court Health Services

A01-HJ-1000-20600
Salaries & Employee Benefits
Decrease Appropriation \$ 900,000

Total Juvenile Court Health Services **\$ 900,000**

General Fund Subsidies**General Fund Subsidy - (Southwest Network)**

A01-AC-6100-21200-21228
Other Financing Uses
Decrease Appropriation \$ 14,991,000

Total General Fund Subsidies **\$ 14,991,000**

Total General Fund **\$ 22,691,000**

Total Department **\$ 238,477,000**

USES:**General Fund****Health Services Administration**

A01-HS-5500-20000
Other Charges
Increase Appropriation \$ 200,000

Total Health Services Administration **\$ 200,000**

Juvenile Court Health Services

A01-HJ-2000-20600
Services & Supplies
Increase Appropriation \$ 693,000

Total Juvenile Court Health Services **\$ 693,000**

General Fund Subsidies**General Fund Subsidy - (LAC+USC Healthcare Network)**

A01-AC-6100-21200-21224
Other Financing Uses
Increase Appropriation \$ 8,389,000

General Fund Subsidy - (Coastal)

A01-AC-6100-21200-21226
Other Financing Uses
Increase Appropriation 6,828,000

General Fund Subsidy - (ValleyCare Network)

A01-AC-6100-21200-21232
Other Financing Uses
Increase Appropriation 6,581,000

Total General Fund Subsidies **\$ 21,798,000**

Total General Fund **\$ 22,691,000**

Total Department **\$ 238,477,000**

DEPARTMENT OF HEALTH SERVICES
BUDGET ADJUSTMENT
FISCAL YEAR 2010-11

4-VOTE

SOURCES:

LAC+USC Medical Center Replacement - ACO Fund

LAC+USC Medical Center Replacement - ACO Fund

J18-3017

Designation for Program Expansion

\$ 586,000

Decrease Designation

LAC+USC Medical Center Replacement - ACO Fund

J18-3301

Other Fund Balance Available

2,543,000

Decrease Other Fund Balance Available

LAC+USC Medical Center Replacement - ACO Fund

J18-3306

Approp for Contingencies-Cancel Comm/AP

2,719,000

Decrease Approp for Cont-Can Comm/AP

Total LAC+USC MC Replacement - ACO Fund

\$ 5,848,000

USES:

LAC+USC Medical Center Replacement - ACO Fund

LAC+USC Medical Center Replacement - ACO Fund-New Facility

J18-HS-6100-50101-50103

Other Financing Uses

\$ 5,848,000

Increase Appropriation

Total LAC+USC MC Replacement - ACO Fund

\$ 5,848,000

DHS Enterprise Fund

MN2-HS-96-9911-60070

Operating Transfers In

\$ 5,848,000

Increase Revenue

Total DHS Enterprise Fund

\$ 5,848,000

DHS Enterprise Fund

MN2-3078

Designation for DHS

\$ 5,848,000

Increase Designation

Total DHS Enterprise Fund

\$ 5,848,000

Total Department

\$ 11,696,000

Total Department

\$ 11,696,000